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The Director

7 April 1948

General Counsel

Proposed Logislation

1. The General Counsel of the House Military Affairs Committee has informed us by telephone that the Committee may be interested in four particular questions concerning the need for our proposed legislation. They are listed below with information which should serve to form general answers:

(a) HOW HAS CEA PUNCTIONED WITHOUT THE AUTHORIZATION CONTAINED IN THE PROPOSED LIGISLATION?

CIA began to function as CIO on 22 January 1946. Through the remainder of that fiscal year, its operations were small, and administrative support came from the departments from which personnel were assigned and from the Strategic Services Unit of the War Department, which had been assigned the task of liquidating the affairs of OSS and preserving for fature use such assets as might be of use for whatever agency was to control the national intelligence. The funds transferred from OSS to SSU were adequate for this support.

In the budget hearings in the Spring of 1946, funds for the support of CIG were enrusped in certain portions of the appropriations for State, War, and havy. A majority of the funds were in the War Department appropriation in the provision for contingencies. At the request of the NIA and with the concurrence of the Treasury Department and the Bureau of the hadget, the Comptroller General sutherised the cetablishment of a Working Fund to which the earmerked portions of the appropriations were transferred for compenditure by CIC. A similar arrangement was fol-lowed for the fiscal year 1948. Administration under this procedure was extremely difficult because of varying limitations in the different appropriation acts. Only through the splendid cooperation of the Comptroller General's Office and the other departments and agencies consermed were interim procedures devised for proper administration of these funds. Even with such cooperation, continual problems of administration were encountered, and operations were hampered

by restrictions on the use of funds. It was partly due to the Segastion of the Comptroller Coneral's Office that this legislation was drafted to provide a proper legal banks for administration of the Agency's functions.

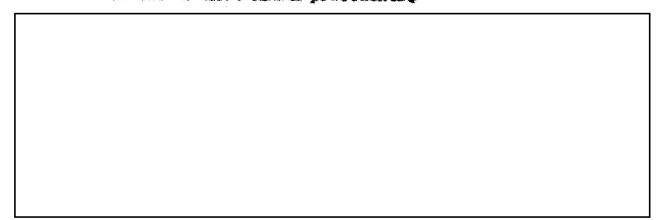
(b) WHAT FEATURES OF THIS BILL HAVE NO PRECIDENT IN EXISTING LAW FOR ANY OFFICE BRANCH OF THE GOVERN-

Section 6(a) (page 8, line 11, et seq.) is believed to be without exact precedent in permitting free transfer of funds to and from the Agency and permitting expenditures of funds transferred to the act under the authority of the proposed legislation without regard to limitations of the original appropriation. It is believed that this Section is necessary to preserve the security of funds made evailable to the Agency while providing a clear basis for their expenditure.

Section 6(f) (page 9, line 19, et seq.) provides in the interest of security an esseption from the disclosure required by law of the size of the Agency and the functions of its officers. It is believed that this provision is without precedent but is again an essential security measure.

Section 7(a)(1) (page 10, line 18, et seq.), setting forth the purposes for which sums made aveil—to the Agency may be expended has a novel feature in that it will, in effect, be personent appropriation language for the Agency. This is required because it is proposed that there will be no specific annual appropriations to the Agency in the interest of security and that by these provisions there will be language on which Agency expenditures may be based and on think sudits can be made. All other features of the bill have one or more known precedents.

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All proposed expenditures are reviewed by a Proleats Review Committee, which makes recommendations thereon to the Director. All vouchered expenditures are audited within CIA by representatives of the Ceneral Accounting Office especially detailed for that purpose. For unvoushered expenditures, the Director has appointed Special Funds' officers as his personal representatives for their administration. Recognizing, however, that he has solo ultimate responsibility for the propriety of unvouchered expenditures, he has laid down detailed rules and regulations outlining the purposes for anpenditure and the controls and approvals which will apply. He has appointed Certifying Officers who are responsible for auditing all unvouchered expenditures to see that they come within these regulations. If there is doubt as to compliance with regulations, the Cortifying Officer may reder may question to the Office of the Comeral Counsel for review and rectamendation to the Director. Any approprians or unusual circumstances require personal action by the Mirector. As a further safeguard, the Director has appointed an Executive for Inspection and Security with a staff of auditors and fiscal axparts, who make periodic general improvious of all books and accounts and such special investigations as the Elirector may require.

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All officers of the Agency involved in the expenditure of unvonchered funds are informed that misuse of such funds may subject them to personal liability or prosecution under applicable law.

LAIST NOE R. MINETON